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CPA as management consultant: a guide to understanding and using CPA services

American Institute of Certified Public Accountants. Communications Division; CPA Communications Council

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Operational audits

Businesses continually face problems such as inflation, declining productivity, and inadequate cash flow. New ways to improve profitability are a constant concern.

CPAs understand the particular concerns of a given industry and may be able to identify better ways to get things done by performing an operational audit. This might involve analyzing an organization's operations and then assisting in a planning and implementation process. The result might be changes in organizational structure, staffing, or compensation programs.

Assistance in the loan process

Financing a growing business is among the owner's greatest challenges. CPAs can explain financial needs to a banker in a logical and organized way. The result can be a well-structured loan with appropriate collateral for the bank, a reasonable level of debt for the borrower, and a realistic repayment schedule.

Quality services

As advisors, CPAs are bound by a stringent code of professional ethics. This code requires that CPAs maintain objectivity and integrity in all engagements. Management advisory services performed by CPAs combine a wide range of business knowledge and skills, plus knowledge of the client's industry, to best meet the needs of the organization.



A GUIDE TO UNDERSTANDING
AND USING CPA SERVICES

The CPA as Management Consultant

Prepared by the CPA Communications Council in
cooperation with the Communications Division,
American Institute of Certified Public Accountants.
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Certified public accountants (CPAs) act as advisors to individuals, businesses, financial institutions, nonprofit organizations, and government agencies.

As management consultants, CPAs play a vital role in helping businesses get the most out of their resources and increase their efficiency. CPAs have knowledge of their client's organization, its operations, finances, personnel, and tax situation. They can provide advice on or assistance with projects in all major business areas, including organizing, planning and monitoring business activities, and implementing data processing and management information systems.

Management advisory services (MAS)

CPAs' technical knowledge, training, and business experience enable them to provide a broad range of management advisory services, which may involve the following:

- Management information
- Cost systems and controls
- Financial analysis
- Systems design and implementation
- Business valuations
- Operational audits
- Assistance in the loan process

The range of services offered by a particular CPA firm will depend on the skill, interest, and experience mix of the partners and staff and on the firm's practice philosophy and objectives.

Management information

CPAs design and assist in the installation of accounting systems to fit the requirements of a particular business. They also analyze existing accounting systems and recommend ways to improve controls and efficiency.

CPAs' recommendations may relate to such areas as production planning and scheduling, budgeting, inventory control, pricing, and profit margins.

Cost systems and controls

Cost accounting involves identifying, evaluating, and recommending ways to reduce operating costs and improve profitability. CPAs can analyze a business and identify the type of cost system

that would be most appropriate for controlling all aspects of its operation. This might involve cost analyses, equipment evaluations, budgetary and cost control development, or inventory and production planning systems.

Financial analysis

Financial analysis and planning strategies can include economic evaluations, projections and forecasts, long- and short-range planning, studies on mergers and acquisitions, or the financial feasibility of other proposed business decisions.

CPAs prepare and conduct special studies of inventories, computers, costs, credit, collection, and cash flow that produce the kind of specific information business managers must have to solve their problems. CPAs can define almost any problem in financial terms such as these:

- How much more in sales is needed to justify a new machine?
- What type of commissions should sales representatives be paid on a new product line?
- How much could be saved if the company started making a particular part instead of buying it from a vendor?

Systems design and implementation

The effective use of computers requires an understanding of data processing technology, business planning processes, the use of management information for planning and control, and the application of accounting and other controls. This capability is increasingly important as management systems become more complex and more critical to overall business success.

Business valuations

Common circumstances for obtaining an independent and objective valuation of a business include the following:

- Purchase, sale, or merger
- Debt or equity financing
- Divorce settlements
- Establishing buy/sell agreements
- Estate, gift, and trust planning

CPAs base valuations on accepted industry formulas and other recognized methods adapted to specific situations.